

Message Text

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PAGE 01 TORONT 00928 202128Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
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FM AMCONSUL TORONTO
TO SECSTATE WASHDC PRIORITY 5335
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E.O. 11652: N/A
TAGS: PGOV, EFIN, CA
SUBJECT: 1977 ONTARIO BUDGET - LAND TRANSFER AND SPECULATION TAXES

REF: (A) 75 TORONTO A-53; (B) TORONTO 395

1. ONTARIO 1977 BUDGET ALTERED THE LAND TRANSFER AND
LAND SPECULATION TAXES IN ATTEMPTS TO ENCOURAGE
INVESTMENT AND NEW JOBS. HOWEVER, CHANGES WHICH REMOVED
20 PERCENT LAND TRANSFER TAX ON SALES TO FOREIGNERS DO
NOT RPT NOT APPLY TO RECREATIONAL OR AGRICULTURAL PROPERTY
AND TRANSACTIONS INVOLVING PURCHASE OF RECREATIONAL OR
AGRICULTURAL LAND BY NON-RESIDENTS STILL LIABLE FOR 20
PERCENT TAX AT TIME OF REGISTRATION OF PROPERTY. THE
BUDGET STATES "CURRENTLY, ALL LAND TRANSFERRED TO NON-
RESIDENTS ATTRACTS THE HIGH 20 PERCENT RATE OF TAX. I
AM PROPOSING TO TAX ONLY AGRICULTURAL AND RECREATIONAL
LAND -- RESTRICTED LAND -- AT THIS HIGH RATE. SPECIFICALLY,
ANY TRANSFER TO A NON-RESIDENT INDIVIDUAL OR
CORPORATION OF LAND THAT IS 'ZONED' OR 'ASSESSED'
AS COMMERCIAL, INDUSTRIAL OR RESIDENTIAL IS TO BE
TAXABLE AT THE NORMAL LOW RATE OF LAND TRANSFER TAX."
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PAGE 02 TORONT 00928 202128Z

2. LAND SPECULATION TAX PROPOSALS INVOLVE DOUBLING
OF ANNUAL TAX REDUCTION ON INVESTMENT PROPERTY TO
20 PERCENT PER ANNUM SO THAT FOREIGN INVESTOR COULD
ELIMINATE SPECULATION TAX AS DIFFERENCE BETWEEN PURCHASE
AND SALS PRICE BY HOLDING PROPERTY FOR FIVE YEARS.
A SECOND CHANGE IN THE ACT WILL LIBERALIZE THE TAX

REDUCTION RULES APPLIAABLE TO AGRICULTURAL LAND WHEN
FARMERS RENT THE LAND.

3. COMMENT - WE HAD HOPED PRESSURE FOR ELIMINATION OF
THESE TAXES WOULD HAVE INDICED ONTARIO TO CANCEL THEM
COMPLETELY. APPARENTLY THE FACTORS WHICH CAUSED THE
ONTARIO SELECT COMMITTEE ON ECONOMIC AND CULTURAL
NATIONALISM TO MAKE RECOMMENDATIONS IN ITS DECEMBER 1974
"FINAL REPORT ON ECONOMIC NATIONALISM" RANGING FROM A 50
PERCENT MUNICIPAL LAND TAX SURCHARGE FOR NON-RESIDENT
OWNERS TO RESTRICTING LAND TRANSFERS TO CANADIAN CITIZENS
AND LANDED IMMIGRANTS ONLY ARE STILL VERY PRESENT IN
REGARD TO THE SENSITIVE ISSUE OF RECREATIONAL LAND.
DIGGINS

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